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FISCAL IMPACT STATEMENT

LS 6734
BILL NUMBER: HB 1381

NOTE PREPARED: Feb 28, 2005
BILL AMENDED: Feb 28, 2005

SUBJECT: New Tire Fee.

FIRST AUTHOR: Rep. Wolkins
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill requires: (1) 80% of the waste tire fees to be deposited in the Waste Tire Assistance Fund; and (2) 20% of the fees to be deposited in the Waste Tire Management Fund. It establishes the Waste Tire Assistance Fund to be administered by the Indiana Recycling and Energy Development Board.

The bill also provides that the Fund is to be used for: (1) making forgivable loans to assist persons that derive a beneficial use from waste tires; (2) reimbursing solid waste management districts that conduct waste tire collection days; and (3) providing incentive payments and reimbursements for waste tire processors and waste tire end users that use waste tires for a beneficial purpose. It increases the Waste Tire Fee to \$1, and expands the application of the fee to tires mounted on farm tractors, implements of husbandry, and semitrailers. The bill provides that the Waste Tire Fee does not apply after July 1, 2010.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The bill creates the Waste Tire Assistance Fund, which is to be administered by the Indiana Recycling and Energy Development Board. The Board is to use the money in the fund to make forgivable loans, reimburse solid waste management districts, and provide incentive payments. The bill also requires the Board to prescribe the application by which qualified entities must apply for assistance from the Fund. The Indiana Recycling and Energy Development Board currently administers similar funding programs for the purpose of assisting the development of the recycling market in Indiana.

Explanation of State Revenues: (Revised) Currently, the \$0.25 new tire fee is collected on each new tire sold

at retail and each new tire mounted on a new vehicle sold at retail. The fee generated approximately \$1.6 M in FY 2004 and \$1.0 M in FY 2003, all of which was distributed to the Department of Environmental Management (IDEM) and deposited in the Waste Tire Management Fund.

This bill makes the fee \$1.00 and reallocates 80% of the revenue to the Waste Tire Assistance Fund and 20% to the Waste Tire Management Fund. Based on the Department of Environmental Management's estimate that 6.5 M tires are replaced each year, additional revenue generated by the \$1.00 fee should be approximately \$4.8 M to make a total of \$6.4 M. (Estimate is also based on the person collecting the fee retaining 1% of the amount collected.) Of the total revenue, 80% or approximately \$5.12 M would be deposited in the Waste Tire Assistance Fund. The Waste Tire Management Fund would receive the remaining 20%, or \$1.28M. The amount of additional revenue expected to be generated by making farm tractors, implements of husbandry, and semitrailers subject to the fee is indeterminable. The bill applies only to the sales of tires that occur before the year 2010.

Background: Currently, all revenue generated by the \$0.25 fee is deposited in the Waste Tire Management Fund. Money in the fund is intended for waste tire cleanup and encouraging the development of the reuse market for waste tires via grants. Through an interagency agreement between the Budget Agency, IDEM, and Department Commerce, all revenue generated by the waste tire fee is used by IDEM (rather than splitting the fee with Commerce as specified in statute) for waste tire cleanup and providing Scrap Tire grants. This bill removes the language currently in statute by which the agreement was made. Money deposited in the new Waste Tire Assistance Fund is to be used for assisting with the collection, reuse, and recycling of waste tires throughout Indiana.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Environmental Management, Indiana Recycling and Energy Development Board.

Local Agencies Affected:

Information Sources: *Indiana Department of Revenue Annual Report*, October 1, 2004.

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